

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6477

BILL NUMBER: HB 1294

NOTE PREPARED: Dec 23, 2014

BILL AMENDED:

SUBJECT: Collection of Tax upon Disallowance of Homestead Deduction.

FIRST AUTHOR: Rep. Aylesworth

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill requires, in a county other than Marion County, additional tax proceeds collected by the county auditor after disallowing a homestead standard deduction to be deposited in the county general fund.

Effective Date: July 1, 2015.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary* - This provision will reduce county auditor revenue and increase county general fund revenue in a county that collects back taxes for improper standard deductions. The maximum reduction in revenue for the county auditor's nonreverting fund is \$100,000 per year in any county. Overall county revenues will not change. The bill does not affect Marion County.

Currently, in counties other than Marion, county auditors may retain up to \$100,000 annually from the payment of back taxes and penalties from ineligible standard deductions, after allowing for contract expenses incurred to identify eligibility. The amount retained by the auditor is deposited into a nonreverting fund. Amounts over \$100,000 must be deposited into the county general fund. In Marion County, all of the back taxes and penalties are deposited into the nonreverting fund.

Background: Currently, a taxpayer must notify the county auditor within 60 days of any change in the use of homestead property that renders all or part of the property ineligible for the standard deduction. Failure to make the notification results in a liability for the taxes that would have been due on the property without the deductions and associated credits plus a penalty equal to 10% of the additional tax. One percent of the penalty collected is transferred to the DLGF.

Each county auditor maintains a nonreverting fund for deposit of delinquent taxes, penalties, and interest collected from taxpayers who received the standard deduction and associated benefits but were found to be ineligible. Money in the fund may only be used, as appropriated by the county fiscal body, by the county auditor to cover fees and costs incurred in the discovery of improper standard deductions and homestead credits, for other expenses of the auditor's office, and for the costs of processing the homestead verification forms mailed to taxpayers in 2010, 2011, and 2012. Nonreverting funds may not be considered in setting the auditor's budget or the county's tax levy.

State Agencies Affected:

Local Agencies Affected: Counties.

Information Sources:

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